



Testimony of Lewis Leibowitz

Good morning. I am Lewis Leibowitz, a partner in the law firm of Hogan & Hartson LLP in Washington, D.C. I represent the Consuming Industries Trade Action Coalition Steel Task Force (CITAC STF).

CITAC STF has worked long and hard to secure an official ITC investigation into the effects of the steel safeguard measures on American consuming industries. We are grateful to the Commission for undertaking this study, and of course to the Committee on Ways and Means for requesting it.

This study is an essential part of the question whether the steel safeguard measures should be modified or terminated at the mid-point of the scheduled relief this coming September. The Section 332 request specifically calls for the Commission to include its analysis in this proceeding in the same document with the analysis under Section 204 of the Trade Act (19 U.S.C. § 2254) and to transmit both reports to the President simultaneously in the same document. CITAC STF supports this approach because the President should have the benefit of all relevant information in making his determination of what to do in the future.

This proceeding has generated a great deal of interest, so much so that a second day of hearings proved warranted (even two days may be insufficient to

accommodate all the witnesses who desired to be heard). CITAC STF commends the Commission for its decision to extend the hearing through two days of testimony. Steel consumers are determined and eager to get their stories before the Commission and the Staff and to respond to questions about the impact of these measures on their businesses.

It is important to delineate clearly what this investigation should and should not do. First, we do not wish to reargue the wisdom or propriety of the safeguards decision of the President in March 2002. The Commission's tasks are to determine the impact of the measures on steel consuming industries, and to predict, through modeling, the economic impacts of continuing or terminating the safeguard measures. Our organization has secured a study that deals with these questions, and the results will be presented during the course of this proceeding.

The impact of the steel safeguards remedy on downstream consumers has been significantly greater than was predicted during the initial round of hearings on this 201 proceeding. All the impacts must be fully appreciated.

Second, we wish to state unequivocally that downstream impacts on the economy, such as the effects this study will measure, are legally and logically relevant to the Commission's mid-point review of the steel safeguard measures. Based on the data for apparent consumption of steel products, domestic consumers represent well over 90 percent of the steel shipped by domestic steel producers. Their economic welfare or decline is clearly a relevant part of the health and future of the U.S. steel production industry and therefore is a "development with respect to" the steel industry. In addition, the President is authorized to determine

whether the “effectiveness” of the measures has been “impaired” by “changed economic circumstances.” This 332 study will certainly bear on the changed circumstances caused by the steel safeguard measures and therefore will help the President make an informed decision concerning the termination, modification or continuation of the tariffs.

Third, the safeguard measures are WTO-inconsistent. While the WTO decision has not yet been publicly announced, there is little doubt that it will be adverse to the United States on all products covered by the steel safeguard measures. The WTO decision could lead to retaliation by trading partners under their rights to “rebalance” trade concessions. This retaliation will not await a 15-month implementation period, but will happen immediately. CITAC STF supports the full and prompt implementation of the decision to conform the practices of the U.S. to the requirements of our international obligations. This is not only the right thing to do legally, but the right thing to do for the entire U.S. economy. “a”

Fourth, I want to put the issue of exclusions in perspective. Although some consumers have benefited from exclusions, exclusions have not eliminated the negative effects of the safeguard measures on steel consumers. There have been several types and rounds of exclusions in this case. Indeed, some 1,200 specific products have been excluded from the case. The process of exclusions during the relief is a positive development to be sure; CITAC played a leading role in securing this process and we are gratified that so many U.S. consuming industries have received exclusions. The sheer number of exclusions requested, and the much

smaller but still substantial number granted, indicates the degree of dislocation in the U.S. economy caused by the steel safeguard measures.

This Section 332 proceeding is properly viewed as a *part* of the process of providing the President with the information he needs to make an informed policy decision regarding the steel safeguards. But, it is only a *part*. Another part, the Section 204 Mid-Point Review proceeding will also develop relevant information, including information on the steel industry's attempts at adjustment and the impacts on steel industry suppliers. For this reason, it is curious that so many steel producers and their suppliers have requested to testify in the 332 hearing.

The Commission has a big job simply to address the questions in the House Ways & Means Committee request. We hope and trust that the Commission will not be distracted from this important task by tangential testimony.

During the hearing to come, the Commission will hear from a broad variety of companies that consume steel in manufacturing. These companies, and thousands more, have been hurt by the steel tariffs because they affect their access to steel that is competitively priced, of the highest quality, that is there when they need it and that runs efficiently on their equipment. Manufacturing in this country is at a crossroads. There are significant negative pressures on U.S. manufacturers and there is not much good news. Clearly, international protection that assists one percent of U.S. manufacturing workers by hurting 59 times as many workers is a piece of bad news we can do without.